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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

2015 MAR -6 P 12:33

SUSAN BITTER SMITH - CHAIRMAN
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

AZ CORP COMMISSION
DOCKET CONTROL

ORIGINAL

IN THE MATTER OF THE APPLICATION OF
UTILITY SOURCE, LLC, AN ARIZONA
CORPORATION, FOR A DETERMINATION
OF THE FAIR VALUE OF ITS UTILITY
PLANTS AND PROPERTY AND FOR
INCREASES IN ITS CHARGES FOR UTILITY
SERVICE BASED THEREON.

DOCKET NO. WS-04235A-13-0331

NOTICE OF FILING FINAL SCHEDULES

The Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") hereby files its final schedules in the above captioned matter. Staff has made several changes from the schedules used at hearing to the final schedules attached here. Staff has also included the Cost of Capital schedules that have not changed from Surrebuttal.

Staff has agreed to remove shallow wells 1 & 3 and the accumulated depreciation on those wells through 2010. The depreciation expense from the test year for wells 1 & 3 and the mains allocated to those wells was removed.

As part of its standpipe allocation staff has removed 25% of mains, along with the accumulated depreciation for those mains and incorporated both into the recommended standpipe rate. Additionally Staff allocated 50 percent of the water division rate case expense to the standpipe along with 25 percent other various expenses which were also incorporated into the standpipe rate.

Staff adopted Utility Source LLC's calculation of the Water Division CIAC amortization. Further, water testing expenses Staff removed duplicate MAP fees for the Water Division. Staff also

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Arizona Corporation Commission

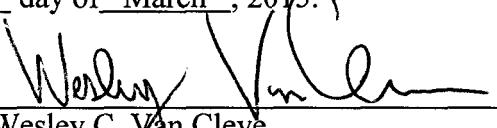
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1 reclassified the Utility expenses related to SRP by removing them from Miscellaneous Expenses and
2 classifying them as rent expenses. Rent expense is allocated to the Water Division and the Waste
3 Water Division in proportion to their income. Finally, APS Late fees as posted in the general ledger
4 were removed.

5 RESPECTFULLY SUBMITTED this 6th day of March, 2015.

6
7 
8 Wesley C. Van Cleve
9 Matthew Laudone
10 Attorneys, Legal Division
11 Arizona Corporation Commission
12 1200 West Washington Street
13 Phoenix, Arizona 85007
14 (602) 542-3402

15 **Original and thirteen (13) copies of**
16 **the foregoing filed this 6th day of**
17 **March, 2015, with:**

18 Docket Control
19 Arizona Corporation Commission
20 1200 West Washington Street
21 Phoenix, Arizona 85007

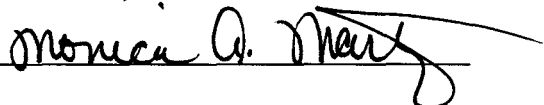
22 **Copy of the foregoing mailed this**
23 **6th day of March, 2015, to:**

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UTILITY SOURCE, LLC, Water Division

Docket No. WS-04235A-13-0331

Test Year Ended December 31, 2012

TESTIMONY OF JORN L. KELLER

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JLK-4	Summary of Original Cost Rate Base Adjustments
JLK-5	Original Cost Rate Base Adjustment #1 - Accumulated Depreciation
JLK-6	Original Cost Rate Base Adjustment #2 - Accumulated Amortization of CIAC
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JLK-11	Operating Adjustment #2 - Depreciation Expense
JLK-12	Operating Adjustment #3 - Water Testing Expense
JLK-13	Operating Adjustment #4 - Automobile Expense
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JLK-22	Typical Bill Analysis

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
		COMPANY ORIGINAL COST	COMPANY FAIR VALUE	STAFF ORIGINAL COST	STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 1,566,541	\$ 1,566,541	\$ 1,473,541	\$ 1,473,541
2	Adjusted Operating Income (Loss)	\$ (8,264)	\$ (8,264)	\$ 17,761	\$ 17,761
3	Current Rate of Return (L2 / L1)	-0.53%	-0.53%	1.21%	1.21%
4	Required Rate of Return	11.00%	11.00%	9.80%	9.80%
5	Required Operating Income (L4 * L1)	\$ 172,320	\$ 172,320	\$ 144,407	\$ 144,407
6	Operating Income Deficiency (L5 - L2)	\$ 180,584	\$ 180,584	\$ 126,646	\$ 126,646
7	Gross Revenue Conversion Factor	1.2650	1.2650	1.2613	1.2613
8	Required Revenue Increase (L7 * L6)	\$ 228,439	\$ 228,439	\$ 159,742	\$ 159,742
9	Adjusted Test Year Revenue	\$ 208,004	\$ 208,004	\$ 206,184	\$ 206,184
10	Proposed Annual Revenue (L8 + L9)	\$ 436,443	\$ 436,443	\$ 365,926	\$ 365,926
11	Required Increase in Revenue (%)	109.82%	109.82%	77.48%	77.48%

References:

Column (A): Company Schedule B-1

Column (B): Company Schedule B-1

Column (C): Staff Schedules OCRB, GRCF, TYOI & COC

Column (D): Staff Schedules OCRB, GRCF, TYOI & COC

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Revenue	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (Line 17) + Property Tax Factor (Line 22)	20.7183%			
5	Subtotal (L3 - L4)	79.2817%			
6	Revenue Conversion Factor (L1 / L5)	1.261325			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	19.9880%			
9	One Minus Combined Income Tax Rate (L7 - L8)	80.0120%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
<u>Calculation of Effective Tax Rate:</u>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	3.1486%			
14	Federal Taxable Income (L12 - L13)	96.8514%			
15	Applicable Federal Income Tax Rate (Line 44)	17.3868%			
16	Effective Federal Income Tax Rate (L14 x L15)	16.8394%			
17	Combined Federal and State Income Tax Rate (L13 + L16)	19.9880%			
<u>Calculation of Effective Property Tax Factor</u>					
18	Unity	100.0000%			
19	Combined Federal and State Tax Rate (Line 17)	19.9880%			
20	One Minus Combined Income Tax Rate (L18 - L19)	80.0120%			
21	Property Tax Factor (XXX-18, L24)	0.9127%			
22	Effective Property Tax Factor (L 21 * L 22)	0.007303024			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		20.7183%		
24	Required Operating Income (Schedule JLK-1, Line 5)	\$ 144,407			
25	Adjusted Test Year Operating Income (Loss) (Schedule JLK-1, Line 14)	\$ 17,761			
26	Required Increase in Operating Income (L24 - L25)		\$ 126,646		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	\$ 36,074			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	\$ 4,436			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 31,638		
30	Recommended Revenue Requirement (Schedule JLK-1, Line 10)	\$ 365,926			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -			
33	Adjusted Test Year Uncollectible Expense	\$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		\$ -		
35	Property Tax with Recommended Revenue (JLK-18, L19)	\$ 8,922			
36	Property Tax on Test Year Revenue (JLK-18, L 16)	\$ 7,464			
37	Increase in Property Tax Due to Increase in Revenue (XXX-18, L22)		\$ 1,458		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		\$ 159,742		
<u>Calculation of Income Tax:</u>					
39	Revenue (Schedule JLK-15, Col.[C], Line 5 & Sch. JLK-1, Col. [C], Line 10)	\$ 206,184	\$ 159,742	\$ 365,926	
40	Operating Expenses Excluding Income Taxes	183,987	1,458	185,445	
41	Synchronized Interest (L47)	-		-	
42	Arizona Taxable Income (L36 - L37 - L38)	\$ 22,197		\$ 180,481	
43	Arizona State Income Tax Rate	3.1486%		3.1486%	
44	Arizona Income Tax (L39 x L40)				
45	Federal Taxable Income (L33 - L35)	\$ 21,499	\$ 698	\$ 174,798	\$ 5,683
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ 3,738		\$ 30,392	
47	Federal Tax on Second Income Bracket N/A	\$ -			
48	Federal Tax on Third Income Bracket N/A	\$ -			
49	Federal Tax on Fourth Income Bracket N/A	\$ -			
50	Federal Tax on Fifth Income Bracket N/A	\$ -			
51	Total Federal Income Tax		\$ 3,738	\$ -	\$ 30,392
52	Combined Federal and State Income Tax (L35 + L42)		\$ 4,436		\$ 36,074
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				17.38680%
<u>Calculation of Interest Synchronization:</u>					
54	Rate Base (Schedule JLK-3, Col. [C], Line (17))	\$ 1,473,542			
55	Weighted Average Cost of Debt	0.00%			
56	Synchronized Interest (L45 X L46)	\$ -			

RATE BASE - ORIGINAL COST/FAIR VALUE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Plant in Service	\$ 2,496,640	\$ (132,408)	\$ 2,364,232
2	Less: Accumulated Depreciation	726,406	(39,408)	686,998
3	Net Plant in Service	<u>\$ 1,770,234</u>	<u>\$ (93,000)</u>	<u>\$ 1,677,234</u>
<u>LESS:</u>				
4	Net Contribution in Aid-of Construction (CIAC)	\$ 197,807	-	\$ 197,807
5	Advances in Aid of Construction (AIAC)	-	-	-
8	Customer Deposits	5,885	-	5,885
9	Deferred Income Tax Credits	-	-	-
	Total Deductions	<u>\$ 203,692</u>	<u>\$ -</u>	<u>\$ 203,692</u>
<u>ADD:</u>				
10	Unamortized Finance Charges	\$ -	\$ -	\$ -
11	Deferred Tax Assets	-	-	-
12	Allowance for Working Capital	-	-	-
13	Intentional Left Blank	-	-	-
	Total Additions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
14	Original Cost Rate Base	<u>\$ 1,566,542</u>	<u>\$ (93,000)</u>	<u>\$ 1,473,542</u>

References:

Column (A), Company Schedule B-1
Column (B): Schedule JLK-4
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A]	[B]	[C]	[D]	[E]	[E]
			COMPANY AS FILED	Accum. Depec. ADJ #1	Accum. Amort. ADJ #2	Shallow Wells ADJ #3	Allocate Mains ADJ #4	STAFF ADJUSTED
<u>PLANT IN SERVICE:</u>								
1	301	Organization Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Costs	-	-	-	-	-	-
3	303	Land & Land Rights	210,000	-	-	-	-	210,000
4	304	Structures & Improvements	72,997	-	-	-	-	72,997
5	307	Wells & Springs	1,353,539	-	-	(92,000)	-	1,261,539
6	310	Power Generation Equipment	89,125	-	-	-	-	89,125
7	311	Electric Pumping Equipment	158,711	-	-	-	-	158,711
8	320	Water Treatment Equipment	5,487	-	-	-	-	5,487
9	320.1	Water Treatment Plants	-	-	-	-	-	-
10	320.2	Solutions & Feeders	-	-	-	-	-	-
11	330	Distribution Reservoirs & Standpipes	321,452	-	-	-	-	321,452
12	330.1	Storage Tank	-	-	-	-	-	-
13	330.2	Pressure Tanks	-	-	-	-	-	-
14	331	Transmission & Distribution Mains	161,632	-	-	-	(40,408)	121,224
15	333	Services	86,250	-	-	-	-	86,250
16	334	Meters & Meter Installations	-	-	-	-	-	-
17	335	Hydrants	34,500	-	-	-	-	34,500
18	336	Backflow Prevention Devices	-	-	-	-	-	-
19	339	Other Plant & Misc. Equip.	-	-	-	-	-	-
20	340	Office Furniture & Fixtures	2,947	-	-	-	-	2,947
21	340.1	Computer & Software	-	-	-	-	-	-
22	341	Transportation Equipment	-	-	-	-	-	-
23	342	Store Equipment	-	-	-	-	-	-
24	343	Tools & Work Equipment	-	-	-	-	-	-
25	344	Laboratory Equipment	-	-	-	-	-	-
26	345	Power Operated Equipment	-	-	-	-	-	-
27	349	Communications Equipment	-	-	-	-	-	-
28	347	Miscellaneous Equipment	-	-	-	-	-	-
29	348	Other Intangibles	-	-	-	-	-	-
			-	-	-	-	-	-
30	Gross Utility Plant in Service		\$ 2,496,640	\$ -	\$ -	\$ (92,000)	\$ (40,408)	\$ 2,364,232
31	Less: Accumulated Depreciation		726,406	(39,408)	-	-	-	\$ 686,998
32	Net Utility Plant in Service (L29 - L30)		\$ 1,770,233	\$ 39,408	\$ -	\$ (92,000)	\$ (40,408)	\$ 1,677,233
<u>DEDUCTIONS</u>								
33	Contributions in Aid of Construction (CIAC)		\$ 294,745	\$ -	\$ -	\$ -	\$ -	\$ 294,745
34	Less: Accumulated Amortization		96,938	-	-	-	-	96,938
35	Net CIAC (L32 - L33)		\$ 197,807	\$ -	\$ -	\$ -	\$ -	\$ 197,807
36	Advances in Aid of Construction (AIAC)		-	-	-	-	-	-
37	Customer Meter Deposits		5,885	-	-	-	-	5,885
38	Deferred Income Tax Credits		-	-	-	-	-	-
39	Total Deductions		\$ 203,692	\$ -	\$ -	\$ -	\$ -	\$ 203,692
<u>ADDITIONS:</u>								
37	Unamortized Finance Charges		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
38	Deferred Tax Assets		-	-	-	-	-	-
39	Allowance for Working Capital		-	-	-	-	-	-
40	Intentional Left Blank		-	-	-	-	-	-
41	Total Additions		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
42	ORIGINAL COST RATE BASE		\$ 1,566,541	\$ 39,408	\$ -	\$ (92,000)	\$ (40,408)	\$ 1,473,541

UTILITY SOURCE, LLC, Water Division
Docket No. WS-04235A-13-0331
Test Year Ended December 31, 2012

Final Post-hearing Schedule JLK-W5

RATE BASE ADJUSTMENT NO. 1 - ACCUMULATED DEPRECIATION

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Accumulated Depreciation	\$ 726,406	\$ (39,408)	\$ 686,998

REFERENCES:
Column [A]: Company Schedule B-2
Column [B]: Testimony, P. 13
Column [C]: Column [A] + Column [B]

UTILITY SOURCE, LLC, Water Division
Docket No. WS-04235A-13-0331
Test Year Ended December 31, 2012

Final Post-hearing Schedule JLK-W6

RATE BASE ADJUSTMENT NO. 2 - Accumulative Amortization of CIAC

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Accumulated Amortization of CIAC	\$ 96,938	\$ -	\$ 96,938

REFERENCES:

Column [A]: Company Schedule B-2
Column [B]: Direct Testimony, P. 9
Column [C]: Column [A] + Column [B]

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	ADJ	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	<u>REVENUES:</u>						
2	Metered Water Sales	\$ 202,743	\$ -		\$ 202,743	\$ 159,742	\$ 362,485
3	Water Sales - Unmetered	-	-		-	-	-
4	Other Operating Revenue	5,261	(1,820)	1	3,441	-	3,441
5	Total Operating Revenues	<u>\$ 208,004</u>	<u>\$ (1,820)</u>		<u>\$ 206,184</u>	<u>\$ 159,742</u>	<u>\$ 365,926</u>
6	<u>OPERATING EXPENSES:</u>						
7	Salaries & Wages	\$ -	\$ -		\$ -	\$ -	\$ -
8	Purchased Water	-	-		-	-	-
9	Purchased Power	66,787	(526)		66,261	-	66,261
10	Chemicals	1,460	-		1,460	-	1,460
11	Materials & Supplies	12,257	(3,064)		9,193	-	9,193
12	Office Supplies & Expense	2,399	(600)		1,799	-	1,799
13	Contractual Services - Accounting	20,253	(5,063)		15,190	-	15,190
14	Contractual Services - Professional	9,651	(2,413)		7,238	-	7,238
15	Outside services	-	-		-	-	-
16	Water Testing	8,107	(8,101)	3	6	-	6
17	Rents	-	6,014		6,014	-	6,014
18	Transportation Expense	-	-		-	-	-
19	Insurance - General Liability	2,186	(547)		1,639	-	1,639
20	Insurance - Health & Life	-	-		-	-	-
21	Regulatory Commission Expense	10,000	(5,000)	6	5,000	-	5,000
22	Miscellaneous Expense	19,976	(10,434)	4,5	9,542	-	9,542
23	Depreciation Expense	57,728	(4,546)	2	53,182	-	53,182
24	Taxes Other than Income	-	-		-	-	-
25	Property Taxes	7,530	(66)	7	7,464	1,458	8,922
26	Income Tax	(2,064)	6,500	8	4,436	31,638	36,074
27	Total Operating Expenses	<u>\$ 216,269</u>	<u>\$ (27,846)</u>		<u>\$ 188,423</u>	<u>\$ 33,096</u>	<u>\$ 221,519</u>
28	Operating Income (Loss)	<u>\$ (8,265)</u>	<u>\$ 26,026</u>		<u>\$ 17,761</u>	<u>\$ 126,646</u>	<u>\$ 144,408</u>

References:

Column (A): Company Schedule C-1 (TAB IS-ADJ)
Column (B): Schedule JLK-8
Column (C): Column (A) + Column (B)
Column (D): Schedules JLK 8
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Water Revenue ADJ #1	[C] Allocated Exp. Adjustments ADJ #2	[D] Depr. Expense ADJ #3	[E] Water Testing ADJ #4	[F] Auto Expense ADJ #5	[F] Telephone Exp. ADJ #5	[H] Utility Exp. ADJ #7	[J] Office Rent Exp. ADJ #8	[J] Late Fee Exp. ADJ #9	[K] Rate Case Exp. ADJ #10	[L] Prop. Tax ADJ #11	[M] Income Tax ADJ #12	[L] STAFF ADJUSTED
1	REVENUES:														
2	461 Metered Water Sales	\$ 202,743	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 202,743
3	460 Water Sales - Unmetered														
4	474 Other Operating Revenue	5,261	(1,820)												3,441
5	Total Operating Revenues	\$ 208,004	\$ (1,820)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 206,184
6	OPERATING EXPENSES:														
7	601 Salaries & Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	610 Purchased Water														
9	615 Purchased Power	66,787													66,787
10	618 Chemicals	1,460													1,460
11	620 Materials & Supplies	12,257		(3,064)							(526)				9,193
12	621 Office Supplies & Expense	2,399		(800)											1,599
13	632 Contractual Services - Accounting	20,253		(5,063)											15,190
14	633 Contractual Services - Professional	9,651		(2,413)											7,238
15	630 Outside Services														
16	635 Water Testing	8,107		(368)		(7,733)									6
17	641 Rents									6,014					6,014
18	650 Transportation Expense														
19	657 Insurance - General Liability	2,186		(547)											1,639
20	659 Insurance - Health & Life														
21	666 Regulatory Commission Expense	10,000										(5,000)			5,000
22	675 Miscellaneous Expense	19,976		(3,965)			(1,750)	(2,366)	(2,353)						9,542
23	403 Depreciation Expense	57,728			(4,546)										53,182
24	408 Taxes Other than Income														
25	408.11 Property Taxes	7,530											(66)		7,464
26	409 Income Tax	(2,064)												6,500	4,436
26	Total Operating Expenses	\$ 216,269	\$ -	\$ (16,019)	\$ (4,546)	\$ (7,733)	\$ (1,750)	\$ (2,366)	\$ (2,353)	\$ 6,014	\$ (526)	\$ (5,000)	\$ (66)	\$ 6,500	\$ 188,423
27	Operating Income (Loss)	\$ (8,264)	\$ (1,820)	\$ 16,019	\$ 4,546	\$ 7,733	\$ 1,750	\$ 2,366	\$ 2,353	\$ (6,014)	\$ 526	\$ 5,000	\$ 66	\$ (6,500)	\$ 17,761

ADJ #	References:
1	JLK-W9
2	JLK-W10
3	JLK-W11
4	JLK-W12
5	JLK-W13
6	JLK-W14
7	JLK-W15
8	JLK-W16
9	JLK-W17
10	JLK-W18
11	JLK-W19

Other Revenue	
Allocated Expense	
Depreciation Exp.	
Water Test	
Auto Expense	
Telephone Exp.	
Utility Exp.	
Office Rent	
Late Fee Exp.	
Rate Case Exp.	
Property Tax Exp.	

UTILITY SOURCE, LLC, Water Division
Docket No. WS-04235A-13-0331
Test Year Ended December 31, 2012

Final Post-hearing Schedule JLK-W9

OPERATING INCOME ADJUSTMENT NO. 1 - TEST YEAR REVENUES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Other Operating Revenue	\$ 5,261	\$ (1,820)	\$ 3,441

References:

Column (A), Company Schedule C-2 & Workpapers

Column (B): Direct Testimony JLK-8

Column (C): Column (A) + Column (B)

UTILITY SOURCE, LLC, Water Division

Final Post-hearing Schedule JLK-W10

Docket No. WS-04235A-13-0331

Test Year Ended December 31, 2012

OPERATING INCOME ADJUSTMENT NO. 2 Allocated Expense

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Materials and Supplies	\$ 12,257	\$ (3,064)	\$ 9,193
2	Office Supplies	2,399	(600)	1,799
3	Accounting	20,253	(5,063)	15,190
4	Professional Services	9,651	(2,413)	7,238
5	Water Testing	8,107	(368)	7,739
6	Insurance	2,186	(547)	1,639
7	Miscellaneous Expense	19,976	(3,965)	16,011
		<u>\$ 74,829</u>	<u>\$ (16,019)</u>	<u>58,810</u>

References:

Column (A), Company Schedule C-2 & Workpapers

Column (B): Testimony

Column (C): Column (A) + Column (B)

OPERATING INCOME ADJUSTMENT No. 2 - DEPRECIATION EXPENSE

Line No.	ACCT NO.	PLANT IN SERVICE - DESCRIPTION	[A]	[B]	[C]	[D]	[E]
			PLANT In SERVICE Per Staff	NonDepreciable or Fully Depreciated PLANT	DEPRECIABLE PLANT (Col A - Col B)	DEPRECIATION RATE	DEPRECIATION EXPENSE (Col C x Col D)
1	301	Organization Costs	\$ -	\$ -	\$ -	0.00%	\$ -
2	302	Franchise Costs	-	-	-	0.00%	-
3	303	Land & Land Rights	210,000	(210,000)	-	0.00%	-
4	304	Structures & Improvements	72,997	-	72,997	3.33%	2,431
5	307	Wells & Springs	1,261,539	-	1,261,539	3.33%	42,009
6	310	Power Generation Equipment	89,125	-	89,125	5.00%	4,456
7	311	Electric Pumping Equipment	158,711	(158,711)	-	12.50%	-
8	320	Water Treatment Equipment	5,487	-	5,487	3.33%	183
9	320.1	Water Treatment Plants	-	-	-	3.33%	-
10	320.2	Solutions & Feeders	-	-	-	20.00%	-
11	330	Distribution Reservoirs & Standpipes	321,452	-	321,452	2.22%	7,136
12	330.1	Storage Tank	-	-	-	2.22%	-
13	330.2	Pressure Tanks	-	-	-	5.00%	-
14	331	Transmission & Distribution Mains	121,224	-	121,224	2.00%	2,424
15	333	Services	86,250	-	86,250	3.33%	2,872
16	334	Meters & Meter Installations	-	-	-	8.33%	-
17	335	Hydrants	34,500	-	34,500	2.00%	690
18	336	Backflow Prevention Devices	-	-	-	6.67%	-
19	339	Other Plant & Misc. Equip.	-	-	-	6.67%	-
20	340	Office Furniture & Fixtures	2,947	-	2,947	6.67%	197
21	340.1	Computer & Software	-	-	-	20.00%	-
22	341	Transportation Equipment	-	-	-	20.00%	-
23	342	Store Equipment	-	-	-	4.00%	-
24	343	Tools & Work Equipment	-	-	-	5.00%	-
25	344	Laboratory Equipment	-	-	-	10.00%	-
26	345	Power Operated Equipment	-	-	-	5.00%	-
27	349	Communications Equipment	-	-	-	10.00%	-
28	347	Miscellaneous Equipment	-	-	-	10.00%	-
29	348	Other Intangibles	-	-	-	0.00%	-
30		Subtotal - General	\$ 2,364,232	\$ (368,711)	\$ 1,995,521		\$ 62,398
31		Less: Amortization of Contributions					
					Composite Depreciation Rate (Depr Exp / Depreciable Plant):		3.13%
					CIAC:	\$	294,745
					Amortization of CIAC (Line 33 x Line 34):	\$	9,216
					Depreciation Expense Before Amortization of CIAC:	\$	62,398
					Less Amortization of CIAC:	\$	9,216
32		Staff Recommended Depreciation Expense			Test Year Depreciation Expense - Staff:	\$	53,182
33		Company Proposed Depreciation Expense			Depreciation Expense - Company:	\$	57,728
34		Increase/(Decrease) to Depreciation Expense			Staff's Total Adjustment:	\$	(4,546)

UTILITY SOURCE, LLC, Water Division

Docket No. WS-04235A-13-0331

Test Year Ended December 31, 2012

Final Post-hearing Schedule JLK-W12

OPERATING INCOME ADJUSTMENT NO. 3 -Water Testing

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Water Testing	\$ 8,107	\$ (7,733)	\$ 374

References:

Column (A), Company Schedule C-2 & Workpapers

Column (B): Direct Testimony Engineering Report, P. 16)

Column (C): Column (A) + Column (B)

UTILITY SOURCE, LLC, Water Division

Final Post-hearing Schedule JLK-W13

Docket No. WS-04235A-13-0331

Test Year Ended December 31, 2012

OPERATING INCOME ADJUSTMENT NO. 4 - Auto Expense

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Auto Expense	\$ 3,250	\$ (1,750)	\$ 1,500

References:

Column (A), Company Schedule C-2 & Data Request #3

Column (B): Direct Testimony P. 14

Column (C): Column (A) + Column (B)

UTILITY SOURCE, LLC, Water Division

Final Post-hearing Schedule JLK-W14

Docket No. WS-04235A-13-0331

Test Year Ended December 31, 2012

OPERATING INCOME ADJUSTMENT NO. 5 -Telephone Expense

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Telephone Expense	\$ 4,732	\$ (2,366)	\$ 2,366

References:

Column (A), Company Schedule C-2 & Data Request #3.

Column (B) :Direct Testimony P. 14

Column (C): Column (A) + Column (B)

UTILITY SOURCE, LLC, Water Division

Docket No. WS-04235A-13-0331

Test Year Ended December 31, 2012

Final Post-hearing Schedule JLK-W15

OPERATING INCOME ADJUSTMENT NO. 6 - Utility Expense

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Utiltiy Expense	\$ 2,353	\$ (2,353)	\$ -

References:

Column (A): Company Schedule C-2 & Company General Ledger Account 655.3

Column (B) : Company General Ledger Account 775.3 & DR JLK 9.5

Column (C): Column (A) + Column (B)

UTILITY SOURCE, LLC, Water Division
Docket No. WS-04235A-13-0331
Test Year Ended December 31, 2012

Final Post-hearing Schedule JLK-W16

OPERATING INCOME ADJUSTMENT NO. 7 -Office Rent

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Office Rent	\$ -	\$ 6,104	\$ 6,104

References:

Column (A), Nielsen Data Request 2.01; RUCO Data Request 2.06

Column (B) : Testimony

Column (C): Column (A) + Column (B)

UTILITY SOURCE, LLC, Water Division
Docket No. WS-04235A-13-0331
Test Year Ended December 31, 2012

Final Post-hearing Schedulee JLK-W17

OPERATING INCOME ADJUSTMENT NO. 8 - Purchase Power

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Purchased Power	\$ 66,787	\$ (526)	\$ 66,261

References:

Column (A): Company Schedule C-2

Column (B) : Testimony

Column (C): Column (A) + Column (B)

UTILITY SOURCE, LLC

Docket No. WS-04235A-13-0331

Test Year Ended December 31, 2012

Final Post-hearing Schedule JLK-W18

OPERATING INCOME ADJUSTMENT NO. 7 -Rate Case Expense

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Rate Case Expense	\$ 10,000	\$ (5,000)	\$ 5,000

References:

Column (A), Company Schedule C-2

Column (B): Direct Testimony P. 15

Column (C): Column (A) + Column (B)

50,000

UTILITY SOURCE, LLC, Water Division
Docket No. WS-04235A-13-0331
Test Year Ended December 31, 2012

Final Post-hearing Schedule JLK-W19

OPERATING INCOME ADJUSTMENT No. 8 - PROPERTY TAX EXPENSE

LINE NO.	Property Tax Calculation	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	\$ 206,184	\$ 206,184
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	412,368	\$ 412,368
4	Staff Recommended Revenue, Per Schedule JLK-1	206,184	\$ 365,926
5	Subtotal (Line 4 + Line 5)	618,552	778,294
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	206,184	\$ 259,431
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	412,368	\$ 518,863
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	\$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	412,368	\$ 518,863
13	Assessment Ratio	20.0%	19.0%
14	Assessment Value (Line 12 * Line 13)	82,474	\$ 98,584
15	Composite Property Tax Rate	9.0503%	9.0503%
			\$ -
16	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	\$ 7,464	
17	Company Proposed Property Tax	7,530	
18	Staff Test Year Adjustment (Line 16-Line 17)	\$ (66)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 8,922
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 7,464
21	Increase in Property Tax Expense Due to Increase in Revenue Requirement		\$ 1,458
22	Increase to Property Tax Expense		\$ 1,458
23	Increase in Revenue Requirement		159,742
24	Increase to Property Tax per Dollar Increase in Revenue (Line 19/Line 20)		0.912741%

UTILITY SOURCE, LLC, Water Division
Docket No. WS-04235A-13-0331
Test Year Ended December 31, 2012

Final Post-hearing Schedule JLK-W20

OPERATING INCOME ADJUSTMENT NO. 9 - INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Income Tax Expense	\$ (2,064)	\$ 6,500	\$ 4,436

References:

Column (A), Company Schedule C-2

Column (B): Direct Testimony JLK-8

Column (C): Column (A) + Column (B)

Monthly Usage Charge	Present	Company Proposed Rates	Staff Recommended Rates
<u>Meter Size (All Classes):</u>			
5/8 x 3/4 Inch	\$ 13.18	\$ 41.70	\$ 23.40
3/4 Inch	21.00	41.70	35.10
1 Inch	40.50	102.68	75.00
1 1/2 Inch	89.20	205.35	150.00
2 Inch	147.70	328.56	240.00
3 Inch	284.20	657.12	480.00
4 Inch	479.20	1,026.75	750.00
6 Inch	966.92	2,053.50	1,500.00
<u>Commodity Charge - Per 1,000 Gallons</u>			
<u>5/8" x 3/4" Meter (Residential)</u>			
First 4,000 gallons	\$ 4.80	\$ 8.25	N/A
4,001 to 9,000 gallons	7.16	15.75	N/A
Over 9,000 gallons	8.60	21.75	N/A
First 3,000 gallons	N/A	N/A	\$ 5.60
3,001 to 10,000 gallons	N/A	N/A	10.95
Over 10,000 gallons	N/A	N/A	20.33
<u>5/8" x 3/4" Meter (Commercial, Industrial, Irrigation)</u>			
First 4,000 gallons	\$ 4.80	\$ 8.25	N/A
4,001 to 9,000 gallons	7.16	15.75	N/A
Over 9,000 gallons	8.60	21.75	N/A
First 10,000 gallons	N/A	N/A	\$ 10.95
Over 10,000 gallons	N/A	N/A	20.33
<u>3/4" Meter (Residential)</u>			
First 4,000 gallons	\$ 4.80	\$ 8.25	N/A
4,001 to 9,000 gallons	7.16	15.75	N/A
Over 9,000 gallons	8.60	21.75	N/A
First 3,000 gallons	N/A	N/A	\$ 5.60
3,001 to 10,000 gallons	N/A	N/A	10.95
Over 10,000 gallons	N/A	N/A	20.33
<u>3/4" Meter (Commercial, Industrial, Irrigation)</u>			
First 4,000 gallons	\$ 4.80	\$ 8.25	N/A
4,001 to 9,000 gallons	7.16	15.75	N/A
Over 9,000 gallons	8.60	21.75	N/A
First 10,000 gallons	N/A	N/A	\$ 10.95
Over 10,000 gallons	N/A	N/A	20.33
<u>1" Meter (All Classes Including Standpipe and Construction)</u>			
First 27,000 gallons	\$ 4.80	\$ 15.75	N/A
Over 27,000 gallons	7.16	21.75	N/A
First 11,000 gallons	N/A	N/A	\$ 10.95
Over 11,000 gallons	N/A	N/A	20.33

Monthly Usage Charge	Present	Company Proposed Rates	Staff Recommended Rates
<u>1 1/2" Meter (All Classes Including Standpipe and Construction)</u>			
First 57,000 gallons	\$ 4.80	\$ 15.75	N/A
Over 57,000 gallons	7.16	21.75	N/A
First 13,000 gallons	N/A	N/A	\$ 10.95
Over 13,000 gallons	N/A	N/A	20.33
<u>2" Meter (All Classes Including Standpipe and Construction)</u>			
First 94,000 gallons	\$ 4.80	\$ 15.75	N/A
Over 94,000 gallons	7.16	21.75	N/A
First 16,000 gallons	N/A	N/A	\$ 10.95
Over 16,000 gallons	N/A	N/A	20.33
<u>3" Meter (All Classes Including Standpipe and Construction)</u>			
First 195,000 gallons	\$ 4.80	\$ 15.75	N/A
Over 195,000 gallons	7.16	21.75	N/A
First 26,000 gallons	N/A	N/A	\$ 10.95
Over 26,000 gallons	N/A	N/A	20.33
<u>4" Meter (All Classes Including Standpipe and Construction)</u>			
First 309,000 gallons	\$ 4.80	\$ 15.75	N/A
Over 309,000 gallons	7.16	21.75	N/A
First 37,000 gallons	N/A	N/A	\$ 10.95
Over 37,000 gallons	N/A	N/A	20.33
<u>6" Meter (All Classes Except Standpipe and Construction)</u>			
First 615,000 gallons	\$ 4.80	\$ 15.75	N/A
Over 615,000 gallons	7.16	21.75	N/A
First 71,000 gallons	N/A	N/A	\$ 10.95
Over 71,000 gallons	N/A	N/A	20.33
Irrigation Meters			
All Gallons	\$ 9.26	\$ 15.75	\$ 20.33
Standpipe or Bulk			
All Gallons	\$ 10.35	\$ 21.75	\$ 18.86
Construction			
All Gallons	\$ 10.35	\$ 21.75	\$ 18.86

Monthly Usage Charge		Company Proposed Rates		Staff Recommended Rates			
Present							
Other Service Charges							
Establishment	\$ 20.00		\$ 20.00		\$ 30.00		
Establishment (After Hours)	\$ 40.00		Removed		N/T		
Reconnection (Delinquent)	\$ 50.00		\$ 50.00		\$ 50.00		
Reconnection (Delinquent) - After Hours	\$ 40.00		Removed		N/T		
Deposit	*		*		*		
Deposit Interest	**		**		**		
Reestablishment (within 12 months)	***		***		***		
NSF Check	\$ 20.00		\$ 20.00		\$ 20.00		
Late Payment Penalty (Per Month)	1.50%		1.50%		1.50%		
Deferred Payment (Per Month)	1.50%		1.50%		1.50%		
After Hours Service Calls - Per Hour	\$ 40.00		\$ 40.00		N/T		
After Hours Service Charge	\$ 40.00		\$ 40.00		\$ 40.00		
Moving Customer Meter (at customer request)	Cost		Cost		Cost		
* Per Commission Rule A.A.C. R-14-2-603(B)							
** Per Commission Rule A.A.C. R-14-2-603(B)							
*** Per Commission Rule A.A.C. R-14-2-603(D) - Months off the system times the monthly minimum.							
Service and Meter Installation Charges							
Service Size	Total Present Charge	Proposed Service Line	Proposed Meter	Total Proposed Charge	Recommended Service Line	Recommended Meter Insallation	Total Recommended Charge
5/8 x 3/4 Inch	\$ 520	\$ 385	\$ 135	\$ 520	\$ 415	\$ 105	\$ 520
3/4 Inch	575	415	205	620	415	205	620
1 Inch	660	465	265	730	465	265	730
1 1/2 Inch	900	520	475	995	520	475	995
2 Inch Turbo	1,525	800	995	1,795	800	995	1,795
2 Inch Compound	2,320	800	1,840	2,640	800	1,840	2,640
3 Inch Turbo	2,275	1,015	1,620	2,635	1,015	1,620	2,635
3 Inch Compound	3,110	1,135	2,495	3,630	1,135	2,495	3,630
4 Inch Turbo	3,360	1,430	2,570	4,000	1,430	2,570	4,000
4 Inch Compound	4,475	1,610	3,545	5,155	1,610	3,545	5,155
6 Inch Turbo	6,035	2,150	4,925	7,075	2,150	4,925	7,075
6 Inch Compound	8,050	2,270	6,820	9,090	2,270	6,820	9,090
1 1/2 Inch	\$ 675.00	\$ 550.00	\$ 675.00	\$ 1,225.00	\$ 550.00	\$ 675.00	\$ 1,225.00
2 Inch Turbo	N/A	\$ 830.00	\$ 1,195.00	\$ 2,025.00	\$ 830.00	\$ 1,195.00	\$ 2,025.00
2 Inch Compound	\$ 1,660.00	\$ 830.00	\$ 2,040.00	\$ 2,870.00	\$ 830.00	\$ 2,040.00	\$ 2,870.00
3 Inch Turbo	N/A	\$ 1,045.00	\$ 1,820.00	\$ 2,865.00	\$ 1,045.00	\$ 1,820.00	\$ 2,865.00
3 Inch Compound	\$ 2,150.00	\$ 1,165.00	\$ 2,604.00	\$ 3,769.00	\$ 1,165.00	\$ 2,604.00	\$ 3,769.00
4 Inch Turbo	N/A	\$ 1,490.00	\$ 2,820.00	\$ 4,310.00	\$ 1,490.00	\$ 2,820.00	\$ 4,310.00
4 Inch Compound	\$ 3,135.00	\$ 1,670.00	\$ 3,795.00	\$ 5,465.00	\$ 1,670.00	\$ 3,795.00	\$ 5,465.00
6 Inch Turbo	N/A	\$ 2,210.00	\$ 5,175.00	\$ 7,385.00	\$ 2,210.00	\$ 5,175.00	\$ 7,385.00
6 Inch Compound	\$ 6,190.00	\$ 2,330.00	\$ 7,070.00	\$ 9,400.00	\$ 2,330.00	\$ 7,070.00	\$ 9,400.00

Typical Bill Analysis
General Service 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	4,123	\$ 38.58	\$ 76.01	\$ 37.43	97.01%
Median Usage	3,500	35.30	69.95	\$ 34.65	98.14%

Staff Recommended

Average Usage	4,123	\$ 38.58	\$ 64.20	\$ 25.62	66.40%
Median Usage	3,500	35.30	57.38	\$ 22.08	62.54%

Present & Proposed Rates (Without Taxes)
General Service 3/4-Inch Meter

	Present		Company		% Increase	Staff		% Increase
	Rates		Proposed Rates			Recommended Rates		
	3/4"		3/4"			3/4"		
	Minimum Charge	\$ 18.50	Minimum Charge	\$ 41.07		Minimum Charge	\$ 35.10	
	1st Tier Rate	\$ 4.80	1st Tier Rate	\$ 8.25		1st Tier Rate	\$ 5.60	
	1st Tier Breakover	4,000	1st Tier Breakover	4,000		1st Tier Breakover	3,000	
	2nd Tier Rate	\$ 7.16	2nd Tier Rate	\$ 15.75		2nd Tier Rate	\$ 10.95	
Gallons	2nd Tier Breakover	9,000	2nd Tier Breakover	9,000		2nd Tier Breakover	10,000	
Consumption	3rd Tier Rate	\$ 8.60	3rd Tier Rate	\$ 21.75		3rd Tier Rate	\$ 20.33	
-	\$ 18.50		\$ 41.07	122.00%		\$ 35.10	89.73%	
1,000	23.30		49.32	111.67%		40.70	74.68%	
2,000	28.10		57.57	104.88%		46.30	64.78%	
3,000	32.90		65.82	100.06%		51.90	57.76%	
4,000	37.70		74.07	96.47%		62.85	66.72%	
5,000	44.86		89.82	100.22%		73.80	64.52%	
6,000	52.02		105.57	102.94%		84.75	62.92%	
7,000	59.18		121.32	105.00%		95.70	61.72%	
8,000	66.34		137.07	106.62%		106.65	60.77%	
4,123	38.58		76.01	97.01%		64.20	66.40%	
9,000	73.50		152.82	107.92%		117.60	60.00%	
10,000	82.10		174.57	112.63%		128.55	56.58%	
11,000	90.70		196.32	116.45%		148.89	64.15%	
12,000	99.30		218.07	119.61%		169.22	70.41%	
13,000	107.90		239.82	122.26%		189.55	75.67%	
14,000	116.50		261.57	124.52%		209.88	80.16%	
15,000	125.10		283.32	126.47%		230.21	84.02%	
16,000	133.70		305.07	128.18%		250.55	87.39%	
17,000	142.30		326.82	129.67%		270.88	90.36%	
18,000	150.90		348.57	130.99%		291.21	92.98%	
19,000	159.50		370.32	132.18%		311.54	95.32%	
20,000	168.10		392.07	133.24%		331.87	97.43%	
25,000	211.10		500.82	137.24%		433.53	105.37%	
30,000	254.10		609.57	139.89%		535.19	110.62%	
35,000	297.10		718.32	141.78%		636.85	114.36%	
40,000	340.10		827.07	143.18%		738.51	117.15%	
45,000	383.10		935.82	144.28%		840.17	119.31%	
50,000	426.10		1,044.57	145.15%		941.83	121.04%	
75,000	641.10		1,588.32	147.75%		1,450.13	126.19%	
100,000	856.10		2,132.07	149.04%		1,958.43	128.76%	

UTILITY SOURCE, LLC, Wastewater Division

Docket No. WS-04235A-13-0331

Test Year Ended December 31, 2012

TESTIMONY OF JORN L. KELLER

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REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A]		[B]		[C]		[D]	
		COMPANY ORIGINAL COST		COMPANY FAIR VALUE		STAFF ORIGINAL COST		STAFF FAIR VALUE	
1	Adjusted Rate Base	\$	830,945	\$	830,945	\$	825,880	\$	825,880
2	Adjusted Operating Income (Loss)	\$	(72,257)	\$	(72,257)	\$	(73,899)	\$	(73,899)
3	Current Rate of Return (L2 / L1)		-8.70%		-8.70%		-8.95%		-8.95%
4	Required Rate of Return		11.00%		11.00%		9.80%		9.80%
5	Required Operating Income (L4 * L1)	\$	91,404	\$	91,404	\$	80,936	\$	80,936
6	Operating Income Deficiency (L5 - L2)	\$	163,661	\$	163,661	\$	154,836	\$	154,836
7	Gross Revenue Conversion Factor		1.2022		1.2022		1.2001		1.2001
8	Required Revenue Increase (L7 * L6)	\$	196,753	\$	196,753	\$	185,811	\$	185,811
9	Adjusted Test Year Revenue	\$	121,284	\$	121,284	\$	119,464	\$	119,464
10	Proposed Annual Revenue (L8 + L9)	\$	318,037	\$	318,037	\$	305,275	\$	305,275
11	Required Increase in Revenue (%)		162.23%		162.23%		155.54%		155.54%

References:

Column (A): Company Schedule B-1

Column (B): Company Schedule B-1

Column (C): Staff Schedules OCRB, GRCF, TYOI & COC

Column (D): Staff Schedules OCRB, GRCF, TYOI & COC

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Revenue	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (Line 17) + Property Tax Factor (Line 22)	16.6704%			
5	Subtotal (L3 - L4)	83.3296%			
6	Revenue Conversion Factor (L1 / L5)	1.2001			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	15.7861%			
9	One Minus Combined Income Tax Rate (L7 - L8)	84.2139%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
<u>Calculation of Effective Tax Rate:</u>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	2.8109%			
14	Federal Taxable Income (L12 - L13)	97.1891%			
15	Applicable Federal Income Tax Rate (Line 44)	13.3505%			
16	Effective Federal Income Tax Rate (L14 x L15)	12.9752%			
17	Combined Federal and State Income Tax Rate (L13 + L16)	15.7861%			
<u>Calculation of Effective Property Tax Factor:</u>					
18	Unity	100.0000%			
19	Combined Federal and State Tax Rate (Line 17)	15.7861%			
20	One Minus Combined Income Tax Rate (L18 - L19)	84.2139%			
21	Property Tax Factor (XXX-18, L24)	1.0500%			
22	Effective Property Tax Factor (L 21 * L 22)	0.008842587			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		16.6704%		
24	Required Operating Income (Schedule XXX-1, Line 5)	\$ 80,936			
25	Adjusted Test Year Operating Income (Loss) (Schedule XXX-10, Line 40)	\$ (73,899)			
26	Required Increase in Operating Income (L24 - L25)		\$ 154,836		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	\$ 14,447			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	\$ (14,578)			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 29,024		
30	Recommended Revenue Requirement (Schedule JLK-1, Line 10)	\$ 305,275			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -			
33	Adjusted Test Year Uncollectible Expense	\$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		\$ -		
35	Property Tax with Recommended Revenue (JLK-18, L19)	\$ 6,360			
36	Property Tax on Test Year Revenue (JLK-18, L 16)	\$ 4,409			
37	Increase in Property Tax Due to Increase in Revenue (XXX-18, L22)		\$ 1,951		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		\$ 185,811		
<u>Calculation of Income Tax:</u>					
		Test Year		STAFF Recommended	
39	Revenue (Schedule JLK-10, Col.(C), Line 5 & Sch. JLK-1, Col. (B), Line 10)	\$ 119,464	\$ 185,811	\$ 305,275	
40	Operating Expenses Excluding Income Taxes	211,809	1,951	213,760	213,760
41	Synchronized Interest (L47)	-		-	
42	Arizona Taxable Income (L36 - L37- L38)	\$ (92,345)		\$ 91,515	
43	Arizona State Income Tax Rate	2.8109%		2.8109%	
44	Arizona Income Tax (L39 x L40)		\$ (2,596)		\$ 2,572
45	Federal Taxable Income (L33 - L35)	\$ (89,749)		\$ 88,943	
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ (11,982)		\$ 11,874	
47	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	\$ -		\$ -	
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ -		\$ -	
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ -		\$ -	
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ -		\$ -	
51	Total Federal Income Tax		\$ (11,982)		\$ 11,874
52	Combined Federal and State Income Tax (L35 + L42)		\$ (14,578)		\$ 14,447
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				13.35%
<u>Calculation of Interest Synchronization:</u>					
54	Rate Base (Schedule XXX-3, Col. (C), Line (17))	\$ 825,880			
55	Weighted Average Cost of Debt (Schedule XXX-1)	0.00%			
56	Synchronized Interest (L45 X L46)	\$ -			

RATE BASE - ORIGINAL COST/FAIR VALUE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Plant in Service	\$ 1,397,271	\$ -	\$ 1,397,271
2	Less: Accumulated Depreciation	455,064	-	455,064
3	Net Plant in Service	<u>\$ 942,207</u>	<u>\$ -</u>	<u>\$ 942,207</u>
<u>LESS:</u>				
4	Net Contribution in Aid-of Construction (CIAC)	\$ 111,262	\$ -	\$ 111,262
5	Advances in Aid of Construction (AIAC)	-	-	-
8	Customer Security Deposits	-	5,065	5,065
9	Deferred Income Tax Credits	-	-	-
	Total Deductions	<u>\$ 111,262</u>	<u>\$ 5,065</u>	<u>\$ 116,327</u>
<u>ADD:</u>				
10	Unamortized Finance Charges	\$ -	\$ -	\$ -
11	Deferred Tax Assets	-	-	-
12	Allowance for Working Capital	-	-	-
	Total Additions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
14	Original Cost Rate Base	<u>\$ 830,945</u>	<u>\$ (5,065)</u>	<u>\$ 825,880</u>

References:

Column (A): Company Schedule B-1
Column (B): Schedule XXX
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY AS FILED	Security Deposits ADJ #1	STAFF ADJUSTED
<u>PLANT IN SERVICE:</u>					
1	351	Organization Cost	\$ -	\$ -	\$ -
2	352	Franchise Cost	-	-	-
3	353	Land and Land Rights	105,000	-	105,000
4	354	Structures & Improvements	56,350	-	56,350
5	355	Power Generation Equipment	2,879	-	2,879
6	360	Collection Sewers - Force	-	-	-
7	361	Collection Sewers - Gravity	260,553	-	260,553
8	362	Special Collecting Structures	-	-	-
9	363	Servcies to Customers	60,375	-	60,375
10	364	Flow Measuring Devices	-	-	-
11	365	Flow Measuring Installations	-	-	-
12	366	Reuse Services	3,450	-	3,450
13	367	Reuse Meters and Meter Installations	-	-	-
14	370	Receiving Wells	-	-	-
15	371	Pumping Equipment	-	-	-
16	374	Reuse Distribution Reserviors	-	-	-
17	375	Reuse Transmission and Distribution	-	-	-
18	380	Treatment & Disposal Equipment	903,992	-	903,992
19	381	Plant Sewers	-	-	-
20	382	Outfall Sewer Lines	-	-	-
21	389	Other Plant & Misc Equipment	-	-	-
22	390	Office Furniture & Equipment	4,672	-	4,251
23	390.1	Computers & Software	-	-	421
24	391	Transportation Equipment	-	-	-
25	392	Stores Equipment	-	-	-
26	393	Tools, Shop & Garage Equipment	-	-	-
27	394	Laboratory Equipment	-	-	-
28	395	Power Operated Equipment	-	-	-
29	396	Communication Equipment	-	-	-
32		Gross Utility Plant in Service	\$ 1,397,271	\$ -	\$ 1,397,271
33		Less: Accumulated Depreciation	455,064	-	455,064
34		Net Utility Plant in Service (L29 - L30)	\$ 942,207	\$ -	\$ 942,207
<u>DEDUCTIONS</u>					
32		Contributions in Aid of Construction (CIAC)	\$ 197,973	\$ -	\$ 197,973
33		Less: Accumulated Amortization	86,711	-	86,711
34		Net CIAC (L32 - L33)	\$ 111,262	\$ -	\$ 111,262
35		Advances in Aid of Construction (AIAC)	-	-	-
36		Customer Meter Deposits	-	5,065	5,065
37		Deferred Income Tax Credits	-	-	-
38		Total Deductions	\$ 111,262	\$ 5,065	\$ 116,327
<u>ADDITIONS:</u>					
39		Unamortized Finance Charges	\$ -	\$ -	\$ -
40		Deferred Tax Assets	-	-	-
41		Allowance for Working Capital	-	-	-
42		Intentional Left Blank	-	-	-
43		Total Additions	\$ -	\$ -	\$ -
44		ORIGINAL COST RATE BASE	\$ 830,945	\$ (5,065)	\$ 825,880

ADJ #	Description
1	Customer Security Deposits

UTILITY SOURCE, LLC, Wastewater Division

Docket No. WS-04235A-13-0331

Test Year Ended December 31, 2012

Final Post-hearing Schedule JLK-WW5

RATE BASE ADJUSTMENT NO. 1 - "Customer Security Deposits"

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Customer Security Deposits	\$ -	\$ 5,065	\$ 5,065

REFERENCES:

Column [A]: Company Schedule B-2

Column [B]: Testimony P. 10

Column [C]: Column [A] + Column [B]

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	REVENUES:					
2	Metered Water Sales	\$ -	\$ -	\$ -		
3	Water Sales - Unmetered	116,023	-	116,023	\$ 185,811	301,834
4	Other Operating Revenue	5,261	(1,820)	3,441	-	3,441
5	Total Operating Revenues	\$ 121,284	\$ (1,820)	\$ 119,464	\$ 185,811	\$ 305,275
6	OPERATING EXPENSES:					
7	Salaries & Wages	\$ -	\$ -	\$ -	\$ -	\$ -
8	Sludge Removal	12,659	-	12,659	-	12,659
9	Purchased Power	26,213	-	26,213	-	26,213
10	Chemicals	5,400	-	5,400	-	5,400
11	Repairs & Maintenance	7,187	-	7,187	-	7,187
14	Office Supplies & Expense	2,446	-	2,446	-	2,446
12	Contractual Services - Other	46,650	-	46,650	-	46,650
13	Contractual Services - Accounting	20,135	-	20,135	-	20,135
15	Contractual Services - Professional	1,920	-	1,920	-	1,920
16	Water Testing	5,669	8,858	14,527	-	14,527
17	Rents	-	-	-	-	-
18	Transportation Expense	3,250	-	3,250	-	3,250
19	Insurance - General Liability	2,186	-	2,186	-	2,186
20	Insurance - Health & Life	-	-	-	-	-
21	Regulatory Commission Expense	10,000	-	10,000	-	10,000
22	Miscellaneous Expense	13,152	(4,116)	9,036	-	9,036
23	Depreciation Expense	45,744	47	45,791	-	45,791
24	Taxes Other than Income	-	-	-	-	-
27	Property Taxes	4,476	(67)	4,409	1,951	6,360
28	Income Tax	(13,545)	(1,033)	(14,578)	29,025	14,447
29	Total Operating Expenses	\$ 193,541	\$ 3,689	\$ 197,231	\$ 30,976	\$ 228,207
30	Operating Income (Loss)	\$ (72,257)	\$ (5,509)	\$ (77,767)	\$ 154,835	\$ 77,068

References:

Column (A): Company Schedule C-1
Column (B): Schedule JLKWW-7
Column (C): Column (A) + Column (B)
Column (D): Schedules JLKWW-1 and JLKWW-2
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Operating Revenue ADJ #1	[C] Water Testing ADJ #2	[D] Auto Expense ADJ #3	[E] Telephone Exp. ADJ #4	[F] Utility Exp. ADJ #5	[G] Rent Exp. ADJ #6	[H] Purchased Power Exp. ADJ #7	[I] Depr. Exp. ADJ #8	[J] Rate Case Exp. ADJ #9	[K] Prop. Tax ADJ #9	[L] Income Tax ADJ #10	[M] STAFF ADJUSTED
1	REVENUES:													
2	521 Flat Rate Revenues	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$
3	522 Measured Revenues	116,023	-	-	-	-	-	-	-	-	-	-	-	116,023
4	536 Other Operating Revenue	5,261	(1,820)	-	-	-	-	-	-	-	-	-	-	3,441
5	Total Operating Revenues	\$ 121,284	\$ (1,820)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 119,464
6	OPERATING EXPENSES:													
7	701 Salaries & Wages	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$
8	711 Sludge Removal Expense	12,659	-	-	-	-	-	-	-	-	-	-	-	12,659
9	715 Purchased Power	26,213	-	-	-	-	-	-	(207)	-	-	-	-	26,006
10	718 Chemicals	5,400	-	-	-	-	-	-	-	-	-	-	-	5,400
11	720 Repairs & Maintenance	7,187	-	-	-	-	-	-	-	-	-	-	-	7,187
12	721 Office Supplies & Expense	2,446	-	-	-	-	-	-	-	-	-	-	-	2,446
13	730 Contractual Services - Accounting	46,650	-	-	-	-	-	-	-	-	-	-	-	46,650
14	732 Contractual Services - Other	20,135	-	-	-	-	-	-	-	-	-	-	-	20,135
15	733 Contractual Services - Professional	1,920	-	-	-	-	-	-	-	-	-	-	-	1,920
16	735 Water Testing	5,669	-	8,858	-	-	-	-	-	-	-	-	-	14,527
17	641 Rents	-	-	-	-	-	-	3,484	-	-	-	-	-	3,484
18	750 Transportation Expense	3,250	-	-	-	-	-	-	-	-	-	-	-	3,250
19	757 Insurance - General Liability	2,186	-	-	-	-	-	-	-	-	-	-	-	2,186
20	759 Insurance - Health & Life	-	-	-	-	-	-	-	-	-	-	-	-	-
21	766 Regulatory Commission Expense	10,000	-	-	-	-	-	-	-	-	-	-	-	10,000
22	775 Miscellaneous Expense	13,152	-	-	(1,750)	(2,366)	(7,145)	-	-	-	-	-	-	1,891
23	703 Depreciation Expense	45,744	-	-	-	-	-	-	-	47	-	-	-	45,791
24	708 Taxes Other than Income	-	-	-	-	-	-	-	-	-	-	-	-	-
25	708.11 Property Taxes	4,476	-	-	-	-	-	-	-	-	-	(67)	-	4,409
26	709 Income Tax	(13,545)	-	-	-	-	-	-	-	-	-	-	(1,033)	(14,578)
	Total Operating Expenses	\$ 193,541	\$	\$ 8,858	\$ (1,750)	\$ (2,366)	\$ (7,145)	\$ 3,484	\$ (207)	\$ 47	\$	\$ (67)	\$ (1,033)	\$ 193,363
27	Operating Income (Loss)	\$ (72,257)	\$	\$ (8,858)	\$ 1,750	\$ 2,366	\$ 7,145	\$ (3,484)	\$ 207	\$ (47)	\$	\$ 67	\$ 1,033	\$ (73,899)

ADJ #	References:
1	To remove security deposits from revenue
2	JLK-WW8
3	To increase water testing per Engineering I
4	JLK-WW9
5	To remove unnecessary auto expense.
6	JLK-WW10
7	To remove unnecessary telephone expens
8	JLK-WW11
9	To remove unnecessary utility expense.
10	JLK-WW12
11	Officed Rent
12	JLK-WW13
13	Purchased Power Expense
14	JLK-WW14
15	Depreciation Expense
16	JLK-WW15
17	Rate Case Expense
18	JLK-WW16
19	Property tax expense
20	JLK-WW17
21	Income tax expense
22	JLK-WW18

UTILITY SOURCE, LLC, Wastewater Division

Docket No. WS-04235A-13-0331

Test Year Ended December 31, 2012

Final Post-hearing Schedule JLK-WW8

OPERATING INCOME ADJUSTMENT NO. 1 - OPERATING REVENUE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Operating Revenue	\$ 5,261	\$ (1,820)	\$ 3,441

References:

Column (A), Company Schedule C-2 & Workpapers

Column (B): Testimony P. 16

Column (C): Column (A) + Column (B)

UTILITY SOURCE, LLC, Wastewater Division

Docket No. WS-04235A-13-0331

Test Year Ended December 31, 2012

Final Post-hearing Schedule JLK-WW9

OPERATING INCOME ADJUSTMENT NO. 2 - WATER TESTING

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Water Testing	\$ 5,669	\$ 8,858	\$ 14,527

References:

Column (A), Company Schedule C-2 & Workpapers

Column (B): Testimony P. 16

Column (C): Column (A) + Column (B)

UTILITY SOURCE, LLC, Wastewater Division

Final Post-hearing Schedule JLK-WW10

Docket No. WS-04235A-13-0331

Test Year Ended December 31, 2012

OPERATING INCOME ADJUSTMENT NO. 3 - Automobile Expense

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Automobile Expense	\$ 3,250	\$ (1,750)	\$ 1,500

References:

Column (A), Company Schedule C-2 & Workpapers

Column (B): Testimony P. 16

Column (C): Column (A) + Column (B)

UTILITY SOURCE, LLC, Wastewater Division
Docket No. WS-04235A-13-0331
Test Year Ended December 31, 2012

Final Post-hearing Schedule JLK-WW11

OPERATING INCOME ADJUSTMENT NO. 4 - Officer and Contractor Telephone Expense

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Telephone Expense	\$ 4,732	\$ (2,366)	\$ 2,366

References:

Column (A), Company Schedule C-2 & Workpapers

Column (B): Testimony 18

Column (C): Column (A) + Column (B)

UTILITY SOURCE, LLC, Wastewater Division

Final Post-hearing Schedule JLK-WW12

Docket No. WS-04235A-13-0331

Test Year Ended December 31, 2012

OPERATING INCOME ADJUSTMENT NO. 5 - Utility Expense

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Utility Expense	\$ 7,145	\$ (7,145)	\$ -

References:

Column (A): Company Schedule C-2 & Company General Ledger Account 775.3

Column (B) : Company General Ledger Account 775.3 & DR JLK 9.5

Column (C): Column (A) + Column (B)

UTILITY SOURCE, LLC, Wastewater Division

Final Post-hearing Schedule JLK-WW13

Docket No. WS-04235A-13-0331

Test Year Ended December 31, 2012

OPERATING INCOME ADJUSTMENT NO. 6 - Office Rent

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Office Rent	\$ -	\$ 3,484	\$ 3,484

References:

Column (A): Company Schedule C-2

Column (B) : Nielsen Data Request 2.01; RUCO Data Request 2.06

Column (C): Column (A) + Column (B)

UTILITY SOURCE, LLC, Wastewater Division

Final Post-hearing Schedule JLK-WW14

Docket No. WS-04235A-13-0331

Test Year Ended December 31, 2012

OPERATING INCOME ADJUSTMENT NO. 7 - Purchased Power

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Office Rent	\$ 26,213	\$ (207)	\$ 26,006

References:

Column (A): Company Schedule C-2

Column (B) : Staff Data Request 7.02

Column (C): Column (A) + Column (B)

OPERATING INCOME ADJUSTMENT No. 8 - DEPRECIATION EXPENSE

			[A]	[B]	[C]	[D]	[E]	
Line No.	ACCT NO.	PLANT IN SERVICE - DESCRIPTION	PLANT In SERVICE Per Staff	NonDepreciable or Fully Depreciated PLANT	DEPRECIABLE PLANT (Col A - Col B)	DEPRECIATION RATE	DEPRECIATION EXPENSE (Col C x Col D)	
1	351	Organization Cost	\$ -	\$ -	\$ -	0.00%	\$ -	
2	352	Franchise Cost	-	-	\$ -	0.00%	-	
3	353	Land and Land Rights	105,000	(105,000)	\$ -	0.00%	-	
4	354	Structures & Improvements	56,350	-	\$ 56,350	3.33%	1,876	
5	355	Power Generation Equipment	2,879	-	\$ 2,879	5.00%	144	
6	360	Collection Sewers - Force	-	-	\$ -	2.00%	-	
7	361	Collection Sewers - Gravity	260,553	-	\$ 260,553	2.00%	5,211	
8	362	Special Collecting Structures	-	-	\$ -	2.00%	-	
9	363	Servcies to Customers	60,375	-	\$ 60,375	2.00%	1,208	
10	364	Flow Measuring Devices	-	-	\$ -	10.00%	-	
11	365	Flow Measuring Installations	-	-	\$ -	10.00%	-	
12	366	Reuse Services	3,450	-	\$ 3,450	2.00%	69	
13	367	Reuse Meters and Meter Installations	-	-	\$ -	8.33%	-	
14	370	Receiving Wells	-	-	\$ -	3.33%	-	
15	371	Pumping Equipment	-	-	\$ -	12.50%	-	
16	374	Reuse Distribution Reservoirs	-	-	\$ -	2.00%	-	
17	375	Reuse Transmission and Distribution	-	-	\$ -	2.50%	-	
18	380	Treatment & Disposal Equipment	903,992	-	\$ 903,992	5.00%	45,200	
19	381	Plant Sewers	-	-	\$ -	5.00%	-	
20	382	Outfall Sewer Lines	-	-	\$ -	3.33%	-	
21	389	Other Plant & Misc Equipment	-	-	\$ -	6.67%	-	
22	390	Office Furniture & Equipment	4,251	-	\$ 4,251	6.67%	284	
23	390.1	Computers & Software	421	-	\$ 421	20.00%	84	
24	391	Transportation Equipment	-	-	\$ -	20.00%	-	
25	392	Stores Equipment	-	-	\$ -	4.00%	-	
26	393	Tools, Shop & Garage Equipment	-	-	\$ -	5.00%	-	
27	394	Laboratory Equipment	-	-	\$ -	10.00%	-	
28	348	Power Operated Equipment	-	-	\$ -	5.00%	-	
29		Subtotal General	\$ 1,397,271		\$ 1,292,271		\$ 54,075	
30		Composite Depreciation Rate (Depr Exp / Depreciable Plant):						4.18%
31		CIAC: \$						197,973
32		Amortization of CIAC (Line 30 x Line 31): \$						8,284
33								
34		Depreciation Expense Before Amortization of CIAC: \$						54,075

UTILITY SOURCE, LLC

Docket No. WS-04235A-13-0331

Test Year Ended December 31, 2012

Final Post-hearing Schedule JLK-WW16

OPERATING INCOME ADJUSTMENT NO. 9 -Rate Case Expense

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Rate Case Expense	\$ 10,000	\$ -	\$ 10,000

References:

Column (A), Company Schedule C-2

Column (B): Testimony P. 19

Column (C): Column (A) + Column (B)

OPERATING INCOME ADJUSTMENT No. 10 - PROPERTY TAXES

LINE NO.	DESCRIPTION	[A]	[B]
		STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	\$ 119,464	\$ 119,464
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$ 238,928	\$ 238,928
4	Staff Recommended Revenue	119,464	305,275
5	Subtotal (Line 4 + Line 5)	\$ 358,392	\$ 544,203
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$ 119,464	\$ 181,401
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$ 238,928	\$ 362,802
10	Plus: 10% of CWIP	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 238,928	\$ 362,802
13	Assessment Ratio	20.00%	19.00%
14	Assessment Value (Line 12 * Line 13)	\$ 47,786	\$ 68,932
15	Composite Property Tax Rate - Obtained from ADOR	9.22620%	9.22620%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 4,409	
17	Company Proposed Property Tax	4,476	
18	Staff Test Year Adjustment (Line 16 - Line 17)	\$ (67)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 6,360
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		4,409
21	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 1,951
22	Increase in Property Tax Due to Increase in Revenue Requirement (Line 21)		\$ 1,951
23	Increase in Revenue Requirement		\$ 185,811
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		1.050016%

REFERENCES:

Line 15: Composite Tax Rate obtained from Arizona Department of Revenue
Line 17: Company Schedule C-1 Page 3
Line 21: Line 19 - Line 20
Line 23: Schedule WW-2

UTILITY SOURCE, LLC
Docket No. WS-04235A-13-0331
Test Year Ended December 31, 2012

Final Post-hearing Schedule JLK-WW18

OPERATING INCOME ADJUSTMENT NO. 11 - INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Income Tax Expense	\$ (13,545)	\$ (1,033)	\$ (14,578)

References:

Column (A), Company Schedule C-2

Column (B): Testimony P. 20

Column (C): Column (A) + Column (B)

Monthly Usage Charge	Present	Company Proposed Rates	Staff Recommended Rates
<u>Meter Size (All Classes):</u>			
5/8 x 3/4 Inch	N/A	\$ 53.00	\$ 50.00
3/4 Inch	N/A	53.00	65.00
1 Inch	N/A	132.50	150.00
1 1/2 Inch	N/A	265.00	350.00
2 Inch	N/A	424.00	400.00
3 Inch	N/A	848.00	600.00
4 Inch	N/A	1,325.00	800.00
6 Inch	N/A	2,650.00	1,000.00

Commodity Charge - Per 1,000 Gallons			
Residential	\$ 5.84	\$ 5.31	\$0.00
Commercial and Industrial:			
Car washes, laundromats, Commercial, Manufact	5.71	5.20	11.61
Hotels, Motels	7.66	6.97	11.61
Restaurants	9.46	8.61	11.61
Industrial Laundries	8.39	7.63	11.61
Waste haulers	171.20	155.79	11.61
Restaurant Grease	149.80	136.32	11.61
Treatment Plant Sludge	171.20	155.79	11.61
Mud Sump Waste	535.00	486.85	11.61

Establishment	\$ 20.00	\$ 20.00	\$ 30.00
Establishment (After Hours)	\$ 40.00	\$ -	No Tariff
Reconnection (Delinquent)	\$ 50.00	\$ 50.00	\$ 50.00
Reconnection (Delinquent) - After Hours	\$ 40.00	\$ -	No Tariff
Deposit	*	*	*
Deposit Interest	**	**	**
Reestablishment (within 12 months)	***	***	***
NSF Check	\$ 20.00	\$ 20.00	\$ 20.00
Late Payment Penalty (Per Month)	1.50%	1.50%	1.50%
Deferred Payment (Per Month)	1.50%	1.50%	1.50%
Service Calls - Per Hour/After Hours(a)	\$ 40.00	\$ 40.00	No Tariff
After Hours Service Charge	\$ 40.00	\$ 40.00	\$ 40.00

* Per Commission Rule A.A.C. R-14-2-603(B)

** Per Commission Rule A.A.C. R-14-2-603(B)

*** Per Commission Rule A.A.C. R-14-2-603(D) - Months off the system times the monthly minimum.

Service and Meter Installation Charges							
Service Size	Total Present Charge	Proposed Service Line Charge	Proposed Meter Installation Charge	Total Proposed Charge	Recommended Service Line Charge	Recommended Meter Installation Charge	Total Recommended Charge
5/8 x 3/4 Inch	\$ 520	\$ 385	\$ 135	\$ 520	\$ 415	\$ 105	\$ 520.00
3/4 Inch	575	415	205	620	415	205	620
1 Inch	660	465	265	730	465	265	730
1 1/2 Inch	900	520	475	995	520	475	995
2 Inch Turbine	1,525	800	995	1,795	800	995	1,795
2 Inch Compound	2,320	800	1,840	2,640	800	1,840	2,640
3 Inch Turbine	2,275	1,015	1,620	2,635	1,015	1,620	2,635
3 Inch Compound	3,110	1,135	2,495	3,630	1,135	2,495	3,630
4 Inch Turbine	3,360	1,430	2,570	4,000	1,430	2,570	4,000
4 Inch Compound	4,475	1,610	3,545	5,155	1,610	3,545	5,155
6 Inch Turbine	6,035	2,150	4,925	7,075	2,150	4,925	7,075
6 Inch Compound	8,050	2,270	6,820	9,090	2,270	6,820	9,090

Utility Source, LLC
Docket No. WS-04235A-13-0331
Test Year Ended: December 31, 2012

Final Post-hearing Schedule Schedule JLK-WW20

Typical Bill Analysis
Residential 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	4,123	\$ 24.08	\$ 74.89	\$ 50.81	211.04%
Median Usage	3,500	20.44	71.59	\$ 51.15	250.22%
Staff Recommended					
Average Usage	4,123	\$ 24.08	\$ 65.00	\$ 40.92	169.95%
Median Usage	3,500	20.44	65.00	\$ 44.56	218.00%

Present & Proposed Rates (Without Taxes)
General Service 3/4-Inch Meter

	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
	3/4"	3/4"		3/4"	
Minimum Charge	\$ -	Minimum Charge \$ 53.00		Minimum Charge \$ 65.00	
1st Tier Rate	5.8400	1st Tier Rate 5.3100		1st Tier Rate -	
1st Tier Breakover	99,999	1st Tier Breakover 999,999		1st Tier Breakover -	
2nd Tier Rate		2nd Tier Rate		2nd Tier Rate	
2nd Tier Breakover		2nd Tier Breakover		2nd Tier Breakover	
3rd Tier Rate		3rd Tier Rate		3rd Tier Rate	
Gallons					
Consumption					
-	\$ -	\$ 53.00		\$ 65.00	
1,000	5.84	58.31	898.46%	65.00	1013.01%
2,000	11.68	63.62	444.69%	65.00	456.51%
3,000	17.52	68.93	293.44%	65.00	271.00%
4,000	23.36	74.24	217.81%	65.00	178.25%
3,500	20.44	71.59	250.22%	65.00	218.00%
5,000	29.20	79.55	172.43%	65.00	122.60%
6,000	35.04	84.86	142.18%	65.00	85.50%
7,000	40.88	90.17	120.57%	65.00	59.00%
8,000	46.72	95.48	104.37%	65.00	39.13%
4,123	24.08	74.89	211.04%	65.00	169.95%
9,000	52.56	100.79	91.76%	65.00	23.67%
10,000	58.40	106.10	81.68%	65.00	11.30%
11,000	64.24	111.41	73.43%	65.00	1.18%
12,000	70.08	116.72	66.55%	65.00	-7.25%
13,000	75.92	122.03	60.73%	65.00	-14.38%
14,000	81.76	127.34	55.75%	65.00	-20.50%
15,000	87.60	132.65	51.43%	65.00	-25.80%
16,000	93.44	137.96	47.65%	65.00	-30.44%
17,000	99.28	143.27	44.31%	65.00	-34.53%
18,000	105.12	148.58	41.34%	65.00	-38.17%
19,000	110.96	153.89	38.69%	65.00	-41.42%
20,000	116.80	159.20	36.30%	65.00	-44.35%
25,000	146.00	185.75	27.23%	65.00	-55.48%
30,000	175.20	212.30	21.18%	65.00	-62.90%
35,000	204.40	238.85	16.85%	65.00	-68.20%
40,000	233.60	265.40	13.61%	65.00	-72.17%
45,000	262.80	291.95	11.09%	65.00	-75.27%
50,000	292.00	318.50	9.08%	65.00	-77.74%
75,000	438.00	451.25	3.03%	65.00	-85.16%
100,000	583.99	584.00	0.00%	65.00	-88.87%

Utility Source, LLC Cost of Capital Calculation
Capital Structure
And Weighted Average Cost of Capital
Staff Recommended and Company Proposed

[A]	[B]	[C]	[D]
<u>Description</u>	<u>Weight (%)</u>	<u>Cost</u>	<u>Weighted Cost</u>
Staff Recommended Structure			
Debt	0.0%	0.0%	0.0%
Common Equity	100.0%	9.8%	9.8%
Weighted Average Cost of Capital			9.8%
Company Proposed Structure			
Debt	0.0%	0.0%	0.00%
Common Equity	100.0%	11.00%	11.00%
Weighted Average Cost of Capital			11.00%

[D] : [B] x [C]

Supporting Schedules: JAC-2, JAC-3 and JAC-4.

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Utility Source, LLC Cost of Capital Calculation
Average Capital Structure of Sample Water Utilities

[A]	[B]	[C]	[D]
<u>Company</u>	<u>Debt</u>	<u>Common Equity</u>	<u>Total</u>
American States Water	40.8%	59.2%	100.0%
California Water	47.2%	52.8%	100.0%
Aqua America	52.0%	48.0%	100.0%
Connecticut Water	50.8%	49.2%	100.0%
Middlesex Water	45.9%	54.1%	100.0%
SJW Corp	54.7%	45.3%	100.0%
York Water	<u>44.2%</u>	<u>55.8%</u>	<u>100.0%</u>
 Average Sample Water Utilities	 47.9%	 52.1%	 100.0%
 Utility Source, LLC - Actual Capital Structure	 0.0%	 100.0%	 100.0%

Source:

Sample Water Companies from Value Line

Utility Source, LLC Cost of Capital Calculation
Growth in Earnings and Dividends
Sample Water Utilities

[A]	[B]	[C]	[D]	[E]
	Dividends Per Share 2003 to 2013	Dividends Per Share Projected	Earnings Per Share 2003 to 2013	Earnings Per Share Projected
<u>Company</u>	<u>DPS¹</u>	<u>DPS¹</u>	<u>EPS¹</u>	<u>EPS¹</u>
American States Water	5.6%	7.7%	15.2%	3.9%
California Water	1.3%	8.0%	4.9%	8.9%
Aqua America	7.6%	9.0%	9.7%	6.0%
Connecticut Water	1.7%	3.4%	3.7%	3.3%
Middlesex Water	1.5%	2.0%	5.4%	3.1%
SJW Corp	4.1%	5.2%	2.1%	8.7%
York Water	4.1%	6.0%	4.8%	8.0%
 Average Sample Water Utilities	 3.7%	 5.9%	 6.5%	 6.0%

¹ Value Line

Utility Source, LLC Cost of Capital Calculation
Sustainable Growth
Sample Water Utilities

[A]	[B]	[C]	[D]	[E]	[F]
<u>Company</u>	Retention Growth 2003 to 2013 <u>br</u>	Retention Growth Projected <u>br</u>	Stock Financing Growth <u>vs</u>	Sustainable Growth 2003 to 2013 <u>br + vs</u>	Sustainable Growth Projected <u>br + vs</u>
American States Water	4.1%	5.6%	1.6%	5.7%	7.2%
California Water	2.6%	3.8%	2.8%	5.4%	6.6%
Aqua America	4.2%	6.0%	1.7%	5.9%	7.7%
Connecticut Water	2.1%	3.5%	3.4%	5.4%	6.9%
Middlesex Water	1.3%	2.8%	2.6%	3.9%	5.4%
SJW Corp	3.2%	3.6%	0.8%	4.1%	4.4%
York Water	<u>2.2%</u>	<u>4.0%</u>	<u>4.4%</u>	<u>6.5%</u>	<u>8.4%</u>
Average Sample Water Utilities	2.8%	4.2%	2.5%	5.3%	6.7%

[B]: Value Line

[C]: Value Line

[D]: Value Line, MSN Money, and Form 10-Ks filed with the Securities and Exchange Commission (<http://www.sec.gov/>)

[E]: [B]+[D]

[F]: [C]+[D]

Utility Source, LLC Cost of Capital Calculation
Selected Financial Data of Sample Water Utilities

[A]	[B]	[C]	[D]	[E]	[F]	[G]
		Spot Price		Mkt To	Value Line	Raw
<u>Company</u>	<u>Symbol</u>	<u>10/1/2014</u>	<u>Book Value</u>	<u>Book</u>	Beta <u>β</u>	Beta <u>β_{raw}</u>
American States Water	AWR	30.30	12.79	2.4	0.70	0.52
California Water	CWT	22.17	12.32	1.8	0.70	0.52
Aqua America	WTR	23.5	8.60	2.7	0.70	0.52
Connecticut Water	CTWS	32.46	16.48	2.0	0.65	0.45
Middlesex Water	MSEX	19.51	12.11	1.6	0.70	0.52
SJW Corp	SJW	26.77	15.66	1.7	0.80	0.67
York Water	YORW	19.83	8.31	2.4	0.75	0.60
Average				2.1	0.71	0.54

[C]: Msn Money

[D]: Value Line

[E]: [C] / [D]

[F]: Value Line

[G]: $(-0.35 + [F]) / 0.67$

Utility Source, LLC Cost of Capital Calculation
Calculation of Expected Infinite Annual Growth in Dividends
Sample Water Utilities

[A]	[B]
<u>Description</u>	<u>g</u>
DPS Growth - Historical ¹	3.7%
DPS Growth - Projected ¹	5.9%
EPS Growth - Historical ¹	6.5%
EPS Growth - Projected ¹	6.0%
Sustainable Growth - Historical ²	5.3%
<u>Sustainable Growth - Projected²</u>	<u>6.7%</u>
Average	5.7%

¹ Schedule JAC-5

² Schedule JAC-6

Utility Source, LLC Cost of Capital Calculation
Multi-Stage DCF Estimates
Sample Water Utilities

[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]
Company	Current Mkt. Price (P_0) ¹ 10/1/2014	Projected Dividends ² (Stage 1 growth) (D_t)				Stage 2 growth ³ (g_n)	Equity Cost Estimate (K) ⁴
		d_1	d_2	d_3	d_4		
American States Water	30.3	0.86	0.90	0.96	1.01	6.5%	9.2%
California Water	22.2	0.66	0.70	0.74	0.78	6.5%	9.4%
Aqua America	23.5	0.64	0.68	0.72	0.76	6.5%	9.1%
Connecticut Water	32.5	1.05	1.11	1.17	1.23	6.5%	9.6%
Middlesex Water	19.5	0.77	0.81	0.86	0.91	6.5%	10.3%
SJW Corp	26.8	0.76	0.80	0.85	0.90	6.5%	9.2%
York Water	19.8	0.58	0.61	0.65	0.68	6.5%	9.3%

$$P_0 = \sum_{t=1}^n \frac{D_t}{(1+K)^t} + \frac{D_n(1+g_n)}{K-g_n} \left[\frac{1}{(1+K)} \right]^n$$

Average 9.5%

Where : P_0 = current stock price
 D_t = dividends expected during stage 1
 K = cost of equity
 n = years of non -- constant growth
 D_n = dividend expected in year n
 g_n = constant rate of growth expected after year n

1 [B] see Schedule JAC-7

2 Derived from Value Line Information

3 Average annual growth in GDP 1929 - 2012 in current dollars.

4 Internal Rate of Return of Projected Dividends